

# W-2

CONVERTING TO WISCONSIN WORKS



## *Where did families go when AFDC ended in Milwaukee?*

A Report by Hudson Institute and  
Mathematica Policy Research

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# Executive Summary

## **SURVEY OF FORMER AFDC RECIPIENTS**

Their experiences converting from AFDC to W-2

The nature and level of their participation in W-2 and other assistance programs about a year after W-2 implementation

Their employment and income about a year after W-2 implementation

Other measures of their well-being



In September 1, 1997, Wisconsin implemented one of the most ambitious welfare reform programs in the nation—Wisconsin Works (W-2). As the state’s Temporary Assistance for Needy Families (TANF) program, W-2 replaces the former Aid to Families with Dependent Children (AFDC) program, TANF’s predecessor.

Between September 1997 and March 1998 all AFDC cases were closed and clients interested in converting to W-2 were given an opportunity to do so.

Hudson Institute analysts wanted to know how the new program affected the lives of former AFDC recipients in Milwaukee County. Four foundations—Annie E. Casey, Edna McConnell Clark, Charles Stewart Mott, and Smith Richardson—supported the Institute’s effort to ascertain the answers. Hudson Institute contracted with Mathematica Policy Research Inc. (MPR) to assist in designing and conducting a study to assess the following characteristics of former AFDC recipients:

- Their experiences converting from AFDC to W-2
- The nature and level of their participation in W-2 and other assistance programs about a year after W-2 implementation
- Their employment and income about a year after W-2 implementation
- Other measures of their well-being

Hudson and MPR developed a telephone survey with questions pertaining to these four topics. A random sample of 400 cases was drawn from the population of all families residing in Milwaukee County, Wisconsin, who received an AFDC cash benefit in August 1997. Two hundred ninety-six individuals (74% of the sample) completed the survey interview between October 1998 and March 1999.

## **FINDINGS**

Although the survey focuses on experiences with the conversion process as well as the family’s status about a year after W-2 implementation, it is not a “leavers” study, one that studies individuals who stopped receiving cash assistance at a point in time. While our sample “left” AFDC as it ended, they did not necessarily leave welfare. Some converted to W-2, some began working or receiving another form of government assistance, some found jobs, and some pursued different strategies. Key findings from the survey follow.

### **Experiences with conversion from AFDC to W-2**

Forty-four percent began receiving W-2 assistance the month after their AFDC ended. Although 72 percent of former AFDC recipients went through at least some of the steps necessary to convert to W-2, such as attending an orientation or developing an employability plan, 44 percent converted initially—that is, began receiving W-2 assistance the month after their AFDC ended. W-2 assistance may include a work training placement, case management services, or help paying for child care. Those who had received W-2 assistance at some point after their AFDC ended generally described the conversion process as confusing, difficult, and time consuming.

Three-quarters received some type of cash grant after AFDC ended. Some former recipients who did not convert initially to W-2 began receiving W-2 assistance at a later point in time. In the 12 to 18 months following the implementation of W-2, 62 percent received W-2 assistance at some point in time, and 16 percent received cash assistance from another government program such as the federal SSI program or Wisconsin's Kinship Care program. Twenty-two percent did not receive any government cash grant in the 12 to 18 months after AFDC ended.

Although different in some ways, those who converted to W-2 the month after their AFDC ended shared several similarities with those who did not convert initially. Both groups were composed of primarily single African American women between the ages of 20 and 39 with young children. Those who did not convert initially, however, were significantly more likely to have a reported disability—that is, a self-reported personal or family member's disability or health problem that limits the former AFDC recipient's ability to work. Among other differences, those who did convert initially were significantly more likely to have a high school diploma or GED certificate than those who did not convert.

### Participation in W-2 and other assistance programs

Those who converted initially remained more attached to public assistance programs. About a year after W-2 implementation, 86 percent of former AFDC recipients were receiving Medicaid, 61 percent were receiving Food Stamps, and 40 percent were receiving W-2 assistance. Those who converted initially to W-2 were more likely to be receiving W-2 assistance, Medicaid, and Food Stamps than those who did not convert initially.

Most of those receiving W-2 were in a work training placement. About a year after W-2 implementation, 72 percent of former AFDC recipients receiving some type of W-2 assistance were either in a Community Service Job or a W-2 Transitions placement—both are classified as work training placements and provide cash payments in return for participation in assigned activities. Thirty-eight percent reported a payment size lower than the maximum grant. This was most likely the result either of financial sanctions because of missed activities or of not being enrolled in the placement for the entire month. Most of those not in a W-2 work training placement received case management services or child care assistance.

Some did not know they could get child care assistance, Food Stamps, and Medicaid without being in W-2. Although Wisconsin provides child care subsidies to all low-income working parents, 42 percent of former AFDC recipients

### KEY FINDINGS

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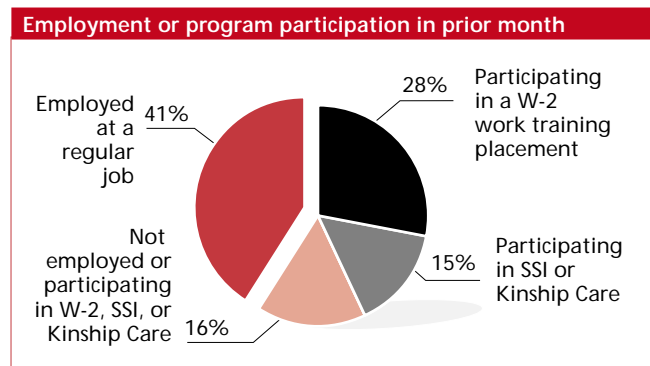
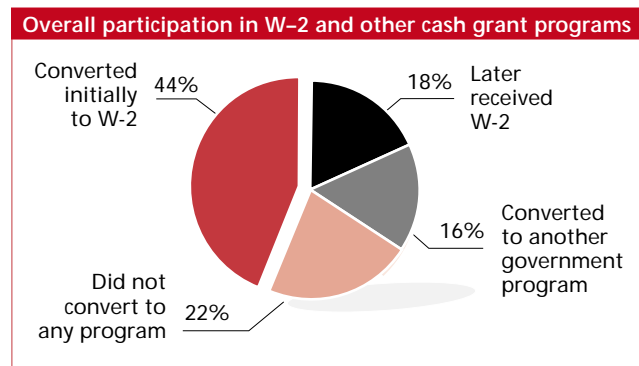
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Former AFDC recipients have mixed views about W-2.

Forty-one percent of former AFDC recipients were working in a regular job in the month prior to the survey interview.

On average, working parents had incomes above the poverty level, but those who were not employed did not fare as well.



## CONCLUSIONS

**Achievements** Wisconsin has successfully conveyed the message that W-2 is about work, and former AFDC recipients seem to be heeding that message—69 percent of former AFDC recipients were either working in a regular job or participating in a W-2 work training placement. Those working in a regular job have an average total income above the poverty threshold.

**Challenges** W-2 now faces the challenge of ensuring that former AFDC recipients can retain their jobs and advance in the workplace. According to the former AFDC recipients themselves, accessible education and training is an important piece of this puzzle. While putting the employable to work, Wisconsin should also be sensitive to the needs of those who have a reported disability and those who have not experienced an increase in their standard of living.

**Lessons** Welfare reform was confusing to many welfare recipients in Milwaukee. Wisconsin's experience suggests that government agencies are well served by allocating generous resources to implementation issues. The lives behind the statistics, as shown in the survey spotlights, are not one-dimensional. Rather, these low-income mothers face numerous challenges, some of which can be addressed by government programs such as W-2, others of which cannot.

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were unaware that eligibility for child care assistance is not tied to W-2 participation. About 20 percent of former AFDC recipients did not know that families could qualify for Medicaid and/or Food Stamps without being in W-2.

Former AFDC recipients have mixed views about W-2. They are split over whether W-2 is a better program than AFDC—43 percent say W-2 is better, 47 percent say it is not, and 10 percent are uncertain. Recommendations to improve the W-2 program included increasing education and training opportunities and improving relations between W-2 staff and participants.

## Employment and income

Forty-one percent of former AFDC recipients were working in a regular job—that is, an unsubsidized job outside the W-2 program—about a year after W-2 implementation. Although 41 percent were working in a regular job, 28 percent were not working but were participating in a W-2 work training placement; 15 percent were not working but receiving SSI or Kinship Care instead of W-2; and 16 percent fit into none of these categories (see graph). Of those in regular jobs, most worked 30 or more hours per week earning an average hourly wage of \$7.45. Half received health insurance from their current employer.

On average, working parents had incomes above the poverty level, but those who were not employed did not fare as well. Employed former AFDC recipients had an average total annual income of \$18,045, or \$4,912 above the poverty threshold for a family of three before factoring in the earned income credit which would raise their annual income even higher. Those participating in a W-2 work training placement had an average total annual income of \$12,432. Those receiving SSI or Kinship Care had an average total annual income of \$11,685. Those not engaged in any of these activities at the time of the interview had an average of \$7,450 in average total annual income.

## Other measures of well-being

Most relied on some support from family and community. In the month prior to the survey interview, 69 percent of former AFDC recipients received help of some sort—transportation, money, or access to a telephone—from family, friends, and/or neighbors. Forty-one percent of them received help from a community organization after their AFDC ended. The most common community organization utilized was a food pantry. Former AFDC recipients who were working in a regular job were less likely to use either form of support than other former AFDC recipients.

The majority said their standard of living was the same or better than it was under AFDC. Generally, former AFDC recipients felt positively about their current standard of living—84 percent rated their current standard of living as at least fair with over one-third rating it as good or very good. Compared to AFDC, 71 percent said they are doing the same or better. Many who experienced a decline in standard of living had a reported disability.

## CONCLUSIONS

The findings presented in this report may help Wisconsin citizens and policy-makers to understand more fully the achievements and challenges of W-2 and may provide lessons to other states reforming their own welfare systems (see sidebar). ▶